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U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS

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May 23, 2007

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BRETT LOPER,
MINORITY STAFF DIRECTOR

Her Excellency Wu Yi
Vice Premier of the Republic of China

Dear Madam Wu:

We welcome you and your delegation to the Capitol and appreciate your interest in discussing the important relationship between our nations. We share your interest in engaging in a frank discussion of the issues that stand in the way of a closer relationship between our nations.

Our constituents have raised serious concerns regarding China's policies in a number of areas, ranging from human rights issues such as the crisis in Darfur, to issues of environmental degradation and global warming. Our nations must take every opportunity we have to work to resolve these critical issues, and we look forward to discussing these issues with you today and in the future. As Members of the Committee on Ways and Means, however, we will focus today on the concerns the Committee has on the trading relationship between our countries.

This Committee recognizes the importance and the current and potential benefits of the bilateral trade and economic relationship between our countries and of the rule-based trading system under the World Trade Organization. In our view, however, China has not honored some of the commitments it made when it acceded to the WTO.

The Committee has serious concerns about China's massive and constant interventions in the currency markets. Those interventions keep the value of the Chinese currency, the renminbi (RMB), artificially low - making exports from China relatively cheap and imports into China relatively expensive. While the International Monetary Fund and the U.S. Department of Treasury have urged China to address this issue for several years now, we have seen almost no meaningful progress to date. To the contrary, the Federal Reserve Chairman noted in December 2006 that the situation has likely worsened recently.

More generally, the Committee is increasingly concerned about trade-distorting subsidies in China. When it acceded to the WTO, China agreed to immediately

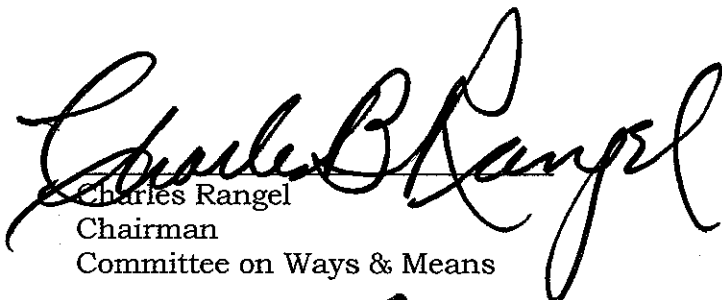
eliminate its export subsidy programs. Unfortunately, China has failed to do so. A number of subsidies that are strictly prohibited under WTO rules persist – subsidies designed to distort trade by increasing exports or limiting imports into China. China also maintains a number of other subsidies that distort trade and harm U.S. businesses, workers, and farmers. Those subsidies need to be eliminated without further delay.

We also are particularly frustrated with China's inability to enforce intellectual property rights in China. As you know, the piracy rates in China remain virtually the highest in the world, at 85 to 95 percent of sales. Not only has China failed to make meaningful progress in this area, China has been sharply critical of the decision by the United States to file a WTO case to address the issue, claiming that the case "will adversely affect bilateral economic and trade ties."

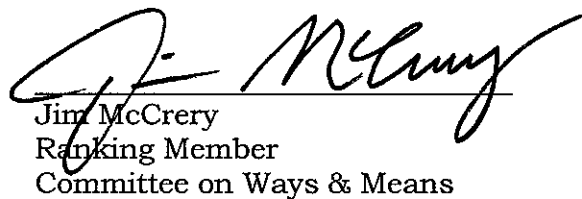
Unfortunately, the list of trade issues between our nations appears to be growing. Americans are increasingly concerned that food and feed products from China fall short of international safety standards and could pose a health risk. Moreover, we regularly hear from constituents who believe that China has not provided the access to its market that it agreed to provide when it acceded to the WTO.

We hope China will take immediate steps to address these issues and that our exchange of views today will be the beginning of an ongoing dialogue, a dialogue that will contribute to a mutually advantageous economic and trade relationship between our nations.

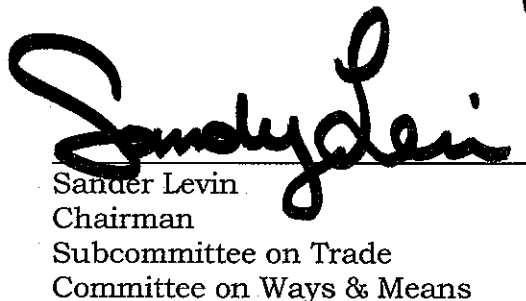
Sincerely,



Charles Rangel
Chairman
Committee on Ways & Means



Jim McCrery
Ranking Member
Committee on Ways & Means



Sander Levin
Chairman
Subcommittee on Trade
Committee on Ways & Means



Wally Herger
Ranking Member
Subcommittee on Trade
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